



September 28th, 2007

Ms. Mary Levine
Acting Director of Legal Affairs
Michigan State Housing Development Authority
735 E. Michigan Avenue
Lansing, MI 48909

Re: Draft Qualified Allocation Plan

Dear Ms. Levine,

Thank you for the opportunity to comment on the Draft 2008-2009 QAP. Midwest Management specializes in the development, acquisition/rehab, and property management of affordable and market rate housing; with a history dating back more than 30 years. Midwest manages over 19,000 units and has ownership interest in excess of 1,500 units in Michigan, Ohio, Illinois, and Florida. By managing their own properties, Midwest is uniquely positioned to offer both development and management services "under one roof". Midwest provides housing for families, working households, the elderly, disabled residence, and others that the market does not adequately serve.

We appreciate the opportunity to comment on the draft QAP, but would mention our comments are confined due to an important component of the QAP not yet released, namely the scoring summary. The scoring summary should be made available to the public for comment as it is incorporated into the QAP by reference in Section XIX.

Even without knowing details of the scoring and selection criteria it is evident there are major changes incorporated into the draft QAP. One of the biggest changes we are in support of is elimination of the lottery. By doing so projects are more likely to be awarded credit based on need and merit rather than chance or luck. Even though there are some positive changes incorporated into the 2008-2009 QAP, we believe a number of modifications are necessary (some of which are mentioned below) in order to make it a workable plan.

- In order to support the long-term financial viability of projects given the limited availability of outside resources, we recommend MSHDA provide project based vouchers to support the threshold requirement that states ten (10%) of all units in any given project (that is not already submitted as a Special Needs/Supportive Housing project) shall be given leasing priority for Supportive Housing Tenants. We further recommend that the 10% special needs/supportive housing set aside at 30% AMI or below, be made to satisfy the low income targeting threshold, that requires 10% of units have incomes/rents set at 30% AMI or below. Additionally



the required 60 day time period to find a supportive housing tenant seems like an excessive amount of time for a unit to remain vacant if a supportive housing tenant is not found. If there is in fact as great a need for supportive housing as the draft QAP asserts, why does there need to be a 60 day time period?

- Under Evaluation Criteria, it states development team members will also be evaluated on the basis of demonstrated success in the development, design and construction of housing with supportive services... I'm assuming this evaluation criteria is based on the draft QAPs requirement to have at least 10% of the units set aside for supportive service tenants. As this is the first QAP to require every project set aside supportive service units, it seems a bit premature to be evaluated on the basis of demonstrated success in the development, design and construction of housing with supportive services given the majority of MSHDA's past 9% tax credit projects have no supportive units.
- Under Evaluation Criteria, it would be helpful to further define the definition of correctible, administrative errors, technical errors, incomplete information or documentation, and significant or material inconsistencies. We would also like to see environmental and marketing reports be given the opportunity to cure errors or deficiencies, particularly since the pre-review process has been eliminated.
- We are concerned about the market study threshold requirement as it relates to the four-targeted areas in the Next Detroit Neighborhood Initiative. Given these neighborhoods are not in particularly strong markets (higher vacancies), it would seem a market analyst would have a hard time supporting these projects. Maybe the goal is to create demand for housing in these neighborhoods by investing a large amount of money in housing, through tax credits, in a relatively small geographic area?
- Requiring the general contractor to commit to prevailing wage requirements will drive up the cost of construction in certain regions, and thereby decrease the affordability of housing to those we serve. We therefore recommend limiting or eliminating this requirement.
- We do not believe it is prudent to require applications be submitted to at least three equity investors. Choosing an equity partner should be left as a business decision and not a mandate. There are important long-term relationships based on trust, developed between the equity and general partner, as they are tied to each other for many years to come.



- Sponsors should be allowed to personally deliver applications to MSHDA as was permitted in the past. This was a smooth process and applicants were assured that their application was received and delivered on time.
- Given a number of housing commissions hire private developers to develop projects that are leveraged with federal funds, we recommend that the 20% of the DHHP Holdback allocated to nonprofit community development corporations or qualified housing commissions be modified to include private developers, working on behalf of a qualified housing commission.

Again thank you for the opportunity to submit our comments on the QAP, and MSHDA's continued support of affordable housing development in Michigan. Please do not hesitate to contact us with any questions you may have.

Sincerely,

Nick Kolb

Nicolas Kolb
Development Officer